



SB 905 - HB 1109

April 12, 2015

SUMMARY OF ORIGINAL BILL: Makes changes to the *Tennessee Insurance Producer Licensing Act of 2002* for the purpose of licensing insurance producers offering or selling travel insurance. Defines travel insurance as insurance coverage for personal risks incident to planned travel, including, but not limited to interruption or cancellation of trip or event, loss of baggage or personal effects, damages to accommodations or rental vehicles, or sickness, accident disability, or death occurring during travel. Travel insurance does not include any major medical plans that provide comprehensive medical protection for travelers with trips lasting six months or longer; including those working overseas as expatriates or deployed military personnel.

Defines a travel insurance supervising entity as an individual or business entity that receives a license to sell, solicit, or negotiate travel insurance through a licensed insurer. Any licensed travel supervising entity may sell, solicit, or negotiate travel insurance through a travel retailer if the entity meets the following conditions:

- Provides certain information to purchasers of travel insurance, directly, or indirectly through the travel retailer;
- Establishes a register of each travel retailer offering travel insurance on the licensee's behalf;
- Designates one of its employees who is a licensed individual producer as the designated responsible producer (DRP) responsible for the travel insurance supervising entity's compliance with the travel insurance laws and rules of the state;
- The Commissioner of the Department of Commerce and Insurance (TDCI) finds that the DRP, president, secretary, treasurer, and any other officer or person who directs or controls the travel insurance supervising entity's insurance operations have not committed any act that is ground for denial, suspension, or revocation;
- All applicable insurance producer licensing fees have been paid; and
- The entity must provide instruction or training to each employee of a travel retailer, who offers travel insurance on the entity's behalf, and any such training material must, at least, contain instructions on the types of insurance offered, ethical sales practices, and required disclosures to prospective customers.

Creates a new limited line producer license classification for travel insurance supervising entities. Such entities will be required to apply with TDCI and submit an application fee of \$500. Travel insurance supervising entities, and those registered under their licenses are exempt from examination, renewal fees, prelicensing, and continuing education requirements.

Defines a travel retailer as a business entity that makes, arranges, or offers travel services and may offer and disseminate travel insurance on the behalf of and under the direction of a travel insurance supervising entity. Travel retailers must provide the following information to prospective purchasers of travel insurance:

- The identity and contact information of the insurer and the travel insurance supervising entity;
- Explain that the purchase of travel insurance is not required in order to purchase any other product or service from the travel retailer;
- Explain that an unlicensed travel retailer is permitted to provide general information about the insurance offered by the travel retailer, including a description of the coverage and price, but is not qualified or authorized to answer technical questions about the terms and conditions of the insurance offered by a travel retailer or to evaluate the adequacy of the customer's existing insurance coverage.

Prohibits the employees of a travel retailer who are not licensed as insurance producers from evaluating or interpreting the technical terms, benefits, and conditions of the offered travel insurance coverage, evaluating or providing advice concerning a prospective purchaser's existing insurance coverage, or presenting themselves as licensed insurers, licensed insurance producers, or insurance experts. The licensed travel insurance supervising entity is responsible for the acts of all travel retailers acting on its behalf and must use reasonable means to ensure compliance of the travel retailer. Should the Commissioner of TDCI find that a travel retailer has violated any provisions of this legislation, it may direct the appropriate travel insurance supervising entity to implement a corrective action plan with the violating retailer, or direct supervising entity to revoke the authorization of the travel retailer to transact travel insurance on its behalf and under its license and to remove the travel retailer's name from its register. The Commissioner may seek damages from a travel retailer found to have violated any provisions of this legislation, and upon providing the retailer an opportunity for a contested case hearing in accordance with the *Uniform Administrative Procedures Act* (UAPA), may require the retailer to cease and desist from engaging in violating act and may impose a civil penalty in an amount determined by the Commissioner, determined on a case-by-case basis. This legislation has an effective date of July 1, 2015.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact - \$9,400/FY15-16
Net Impact - \$19,400/FY16-17 and Subsequent Years

IMPACT TO COMMERCE OF ORIGINAL BILL:

Net Impact - Decrease Business Expenses - \$9,400/FY15-16
\$19,400/FY16-17 and Subsequent Years

SUMMARY OF AMENDMENT (005989): Deletes all language after the enacting clause. Makes changes to the *Tennessee Insurance Producer Licensing Act of 2002* for the purpose of licensing insurance producers offering or selling travel insurance. Defines travel insurance as insurance coverage for personal risks incident to planned travel, including, but not

limited to interruption or cancellation of trip or event, loss of baggage or personal effects, damages to accommodations or rental vehicles, or sickness, accident disability, or death occurring during travel. Travel insurance does not include any major medical plans that provide comprehensive medical protection for travelers with trips lasting six months or longer; including those working overseas as expatriates or deployed military personnel.

Defines a travel insurance supervising entity as an individual or business entity that receives a license to sell, solicit, or negotiate travel insurance through a licensed insurer. Any licensed travel supervising entity may sell, solicit, or negotiate travel insurance through a travel retailer if the entity meets the following conditions:

- Provides certain information to purchasers of travel insurance, directly, or indirectly through the travel retailer;
- Establishes a register of each travel retailer offering travel insurance on the licensee's behalf;
- Designates one of its employees who is a licensed individual producer as the designated responsible producer (DRP) responsible for the travel insurance supervising entity's compliance with the travel insurance laws and rules of the state;
- The Commissioner of the Department of Commerce and Insurance (TDCI) finds that the DRP, president, secretary, treasurer, and any other officer or person who directs or controls the travel insurance supervising entity's insurance operations have not committed any act that is ground for denial, suspension, or revocation;
- All applicable insurance producer licensing fees have been paid; and
- The entity must provide instruction or training to each employee of a travel retailer, who offers travel insurance on the entity's behalf, and any such training material must, at least, contain instructions on the types of insurance offered, ethical sales practices, and required disclosures to prospective customers.

Creates a new limited line producer license classification for travel insurance supervising entities. Such entities will be required to apply with TDCI and submit an application fee of \$750. Initial licensure is valid for a period of 12 months. Travel insurance supervising entities, and those registered under their licenses are exempt from examination, renewal fees, prelicensing, and continuing education requirements.

Defines a travel retailer as a business entity that makes, arranges, or offers travel services and may offer and disseminate travel insurance on the behalf of and under the direction of a travel insurance supervising entity. Travel retailers must provide the following information to prospective purchasers of travel insurance:

- The identity and contact information of the insurer and the travel insurance supervising entity;
- Explain that the purchase of travel insurance is not required in order to purchase any other product or service from the travel retailer;
- Explain that an unlicensed travel retailer is permitted to provide general information about the insurance offered by the travel retailer, including a description of the coverage and price, but is not qualified or authorized to answer technical questions about the

terms and conditions of the insurance offered by a travel retailer or to evaluate the adequacy of the customer's existing insurance coverage.

Prohibits the employees of a travel retailer who are not licensed as insurance producers from evaluating or interpreting the technical terms, benefits, and conditions of the offered travel insurance coverage, evaluating or providing advice concerning a prospective purchaser's existing insurance coverage, or presenting themselves as licensed insurers, licensed insurance producers, or insurance experts. The licensed travel insurance supervising entity is responsible for the acts of all travel retailers acting on its behalf and must use reasonable means to ensure compliance of the travel retailer. Should the Commissioner of TDCI find that a travel retailer has violated any provisions of this legislation, it may direct the appropriate travel insurance supervising entity to implement a corrective action plan with the violating retailer, or direct supervising entity to revoke the authorization of the travel retailer to transact travel insurance on its behalf and under its license and to remove the travel retailer's name from its register. The Commissioner may seek damages from a travel retailer found to have violated any provisions of this legislation, and upon providing the retailer an opportunity for a contested case hearing in accordance with the *Uniform Administrative Procedures Act* (UAPA), may require the retailer to cease and desist from engaging in violating act and may impose a civil penalty in an amount determined by the Commissioner, determined on a case-by-case basis. This legislation has an effective date of January 1, 2016.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Net Impact - \$3,200/FY15-16

Increase State Revenue - Net Impact - \$600/FY16-17

Exceeds - \$4,300/FY17-18 and Subsequent Years

Assumptions for the bill as amended:

- Currently, TDCI issues limited lines travel insurance licenses.
- This biennial license requires a \$50 application fee and \$30 renewal fee.
- Based on information provided by TDCI, there are currently 1,117 individuals with active limited lines travel insurance licenses.
- These licensees currently pay \$33,510 in licensure renewal fees every two years (1,117 x \$30).
- This legislation will allow a limited line travel insurance licensee to work under a licensed travel insurer supervising entity without holding a limited lines travel insurance license; therefore, it is assumed that a large number of licensees will no longer continue to carry such license and will elect to work under a travel insurance supervising entity, effectively reducing revenue from the collection of initial and renewal limited lines travel insurance licensure fees.
- TDCI estimates that this legislation will reduce current limited lines travel insurance licensees by 75 percent (0.75).
- An annualized, recurring decrease in state revenue \$12,566 [(33,510 / 2 years) x 0.75].

- Based on information provided by TDCI, it annually receives approximately 187 new applicants for limited lines travel insurance licenses. It is assumed that no individuals would elect to obtain a limited lines travel insurance license upon enactment of this legislation, as this legislation allows such individuals to provide the same services under a travel insurance supervising entity without obtaining such license and paying such fees. This will result in a recurring decrease in state revenue of \$9,350 ($187 \times \50).
- A total recurring decrease in state revenue of \$21,916 ($\$12,566 + \$9,350$).
- It is unknown how many insurance producers will seek to obtain licensure as a travel insurance supervising entity.
- Based on information provided by TDCI, the department estimates that approximately 25 insurance producers will obtain licenses as travel insurance supervising entities in the initial year, or FY15-16.
- To obtain a license as a travel insurance supervising entity, the insurance producer will be required to pay an initial one-time application fee of \$750 to TDCI. These licensed producers will be required to reapply at the earlier of either the completion of the initial 12-month licensure renewal cycle or by March 1. An increase in state revenue in FY15-16 of \$18,750 ($25 \times \750).
- In FY16-17 and subsequent years, it is assumed that an additional 5 insurance producers will obtain licenses as travel insurance supervising entities.
- A recurring increase in state revenue in FY16-17 of \$22,500 [$(5 \times \$750) + (25 \times \$750)$].
- A recurring increase in state revenue in FY17-18 and subsequent years of an amount that exceeds \$26,250 [$(5 \times \$750) + (30 \times \$750)$].
- The net decrease in revenue is estimated to be \$3,166 ($\$21,916 - \$18,750$) in FY15-16.
- Beginning in FY16-17, there will be a net increase in revenue in of \$584 ($\$22,500 - \$21,916$).
- In FY17-18 and subsequent years the net increase in revenue will continue to grow resulting in a net increase exceeding \$4,334 ($\$26,250 - \$21,916$).
- This legislation is not assumed to significantly affect any travel insurance premiums paid to TDCI, as this legislation will not significantly affect the number of travelers that would have otherwise elected to obtain travel insurance nor will it affect any current premium rate applied to such premiums.
- Any increase in UAPA hearings and subsequent civil penalties levied against insurers, travel insurance supervising entities, travel retailers or an employee of any such entity, is not assumed to result in a significant increase in civil penalties in excess of the number of civil penalties currently issued against limited lines travel insurance licensees.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Decrease Business Expenses – Net Impact - \$3,200/FY15-16

Increase Business Expenses - Net Impact - \$600/FY16-17

Exceeds - \$4,300/FY17-18 and Subsequent Years

Assumptions for the bill as amended:

- A decrease in deductible business expenses for current limited lines travel insurance licensees of \$21,916.
- An increase in deductible business expenses to travel insurance supervising entities of \$18,750 in FY15-16, \$22,500 in FY16-17, and \$26,250 in FY17-18 and subsequent years.
- Net decrease in business expenses in FY15-16 of \$3,150 (\$21,916 - \$18,750), a net increase in business expenses of \$584 in FY16-17 (\$22,500 - 21,916), and a recurring net increase in business expenses of \$4,334 in FY17-18 and subsequent years (\$26,250 - \$21,916).
- This legislation is not expected to increase the demand for travel insurance as sold by domiciled insurance producers in this state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/jdb